

120 FERC ¶ 61,165
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 17, 2007

In Reply Refer To:
Potomac Electric Power Company
Docket Nos. ER07-912-000 and
ER07-912-001

Pepco Holdings, Inc.
701 Ninth Street, N.W., Suite 1100
Washington, D.C. 20068

Attention: Amy L. Blauman
Counsel for Potomac Electric Power Company

Reference: Formula Rate Template Tariff Revisions

Dear Ms. Blauman:

1. On May 15, 2007, you filed on behalf of Potomac Electric Power Company (Pepco), revised tariff sheets¹ to Attachment H-9A of PJM Interconnection, L.L.C.'s Open Access Transmission Tariff to reflect ministerial changes to its formula rate template. On June 20, 2007, you filed an amendment to revise certain tariff sheets to remove inadvertent errors. Your revisions are accepted effective June 1, 2007, as proposed.

2. Pepco's proposal modifies its formula rate template to conform to the accounting changes adopted by the Commission in Order No. 668.² Pursuant to a settlement agreement in Docket No. ER05-515 (Settlement Agreement), Pepco implemented a

¹ See Appendix.

² *Accounting and Financial Reporting for Public Utilities Including RTOs*, 113 FERC ¶ 61,276 (2005), *reh'g denied*, Order No. 668-A, 115 FERC ¶ 61,080 (2006), *reh'g denied*, 117 FERC ¶ 61,066 (2006) (Order No. 668).

formula rate that relies on the FERC Form No. 1 accounting data for the rate inputs. Pepco requests an effective date of June 1, 2007 and a waiver of the Commission's 60-day notice requirement.³

3. Notice of Pepco's May 15, 2007 filing was published in the *Federal Register*, 72 Fed. Reg. 30,584 (2007), with interventions and protests due on or before June 5, 2007. Southern Maryland Electric Cooperative, Inc. (SMECO) filed a timely protest, motion to intervene, and motion for partial summary disposition. The Maryland Office of People's Counsel and the District of Columbia Office of the People's Counsel (collectively Joint Advocates) filed a motion for leave to intervene out-of-time and an expression of support for SMECO's motion for partial summary disposition. On June 20, 2007, Pepco filed an amendment and answer to revise the original filing in response to the motion for partial summary disposition. Notice of the amended filing was published in the *Federal Register*, 72 Fed. Reg. 35,455 (2007), with interventions and protests due on or before July 11, 2007. None were filed.

4. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,⁴ the timely unopposed motion to intervene by Joint Advocates serves to make it a party to this proceeding. Due to the early stage of the proceeding and the lack of prejudice to the other parties, we will accept the Joint Advocates' intervention.

5. SMECO states that Pepco's filing is contrary to the public interest and unjust and unreasonable and discriminatory.⁵ SMECO notes that one change to Line 108 of the formula does not appear to be related to Order No. 668.⁶ In addition, SMECO argues that Pepco's request for waiver of the 60-day notice requirement is not sufficient for good cause as Order No. 668 was issued more than a year before Pepco's instant filing, and Pepco provided no explanation for the delay in filing.⁷ Also, SMECO argues that Pepco's filing violates the moratorium provisions of the Settlement Agreement that preclude unilateral changes to the formula until June 1, 2009.⁸

6. Despite the above "infirmities" with Pepco's filing, SMECO states that it does not object to the implementation of formula changes related to Order No. 668.⁹ SMECO does, however, argue that the implementation of any of the proposed changes must be

³ 18 C.F.R. § 154.207 (2007).

⁴ 18 C.F.R. § 385.214 (2007).

⁵ SMECO Protest at 4.

⁶ *Id.* at 4-5.

⁷ *Id.* at 5-6.

⁸ *Id.* at 6-7.

⁹ *Id.* at 7-8.

subject to refund with interest pending a determination that they are the appropriate changes to coordinate the pre-existing formula with Order No. 668 and that the changes do not “increase rates . . . [or] involve substantive changes to the way the formula rates operate or the way the charges are calculated.”¹⁰ SMECO also argues that the proposed change to Line 108 of its Formula Rate Template is not related to Order No. 668 and must be summarily rejected.¹¹ SMECO states that while the other proposed changes “appear to be at least related to Order No. 668, there is insufficient data in the filing to have any degree of confidence that these other proposed changes . . . are necessary and appropriate to conform the formula to Order No. 668.”¹² SMECO concludes that the Commission should suspend the changes for a nominal period and set the issue for hearing, to be held in abeyance pending the process required by the Formula Rate Implementation Protocols, which themselves allow for a period of discovery and consultation.

7. The Joint Advocates support SMECO’s motion for partial summary disposition and the relief requested. The Joint Advocates state that SMECO has identified a substantive issue that needs to be explored. In addition, the Joint Advocates explain that SMECO’s request for hearing and suspension of that hearing is a reasonable mechanism to preserve the rights of the parties and most efficiently use the resources of the Commission and the parties.

8. In its amendment and answer, Pepco states that its proposed changes were intended to solely comply with the Commission’s directives in Order No. 668, and that it mistakenly included two ministerial changes that were not necessitated by the Commission in Order No. 668. Pepco explains that changes to line 65 (of Sheet Nos. 310B and 310N) and Line 108 (of Sheet No. 310C) of the formula rate template were meant to correct numbering errors only and not to add new lines to the formula.

9. Pepco acknowledged in its revised filing that certain proposed changes are outside the scope of the changes necessitated by Order No. 668, and it eliminated such changes in the revised filing. In addition, Pepco filed a matrix of changes that details the location and specific reason for the changes made to the formula rate template. Pepco states that the changes do not result in an increase or change in rates and thus no hearing, suspension, or other procedures are necessary. Finally, Pepco explains that it filed the proposed changes as soon as the relevant Form 1 entries were identified and finalized for completion of the 2006 FERC Form 1 and asks that the tariff sheets be made effective June 1, 2007.

¹⁰ *Id.* at 8 (quoting Order No. 668 at P 88).

¹¹ *Id.* at 8, 9-11.

¹² *Id.* at 11.

10. No party filed a protest to Pepco's amendment and answer.

11. The Commission finds that Pepco's amendment to its original filing to remove the changes not related to Order No. 668 makes moot SMECO's request for rejecting such changes. The Commission also finds that Pepco's proposed formula rate template changes to reflect the accounting changes required by Order No. 668 do not violate the Settlement Agreement rate moratorium provisions. Changes to Pepco's Form 1 accounts were required by Order No. 668 to accommodate the restructuring changes that are occurring in the electric industry due to the availability of open-access transmission service and increasing competition in wholesale bulk power markets. In order to maintain the rates under the Settlement Agreement, it was necessary for Pepco to revise its formula rate template to reflect such Form 1 changes. Consistent with Order No. 668, the revisions to Pepco's formula rates did not increase the transmission charges derived from the formula rate.¹³ Because the Order No. 668 changes did not materially change Pepco's formula rate, the Commission concludes that the proposed changes do not violate the rate moratorium provisions in the Settlement Agreement. Further, the Commission denies SMECO's request for suspension and hearing of the proposed formula rate revisions because Pepco has shown that such changes are appropriate and do not increase charges to customers.

12. Finally, in accordance with our policy,¹⁴ the Commission will grant waiver of the 60-day notice requirement because Pepco filed the proposed changes at the earliest available time once it had its 2006 FERC Form 1 completed and the filing is ministerial. Therefore, the Commission accepts Pepco's revised tariff sheets effective June 1, 2007, as requested.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Acting Deputy Secretary.

¹³ Order No. 668 at P 87.

¹⁴ See *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139 (1993); *Central Hudson Gas & Elec. Corp.* 60 FERC ¶ 61,106 (1992).

APPENDIX

PJM Interconnection, L.L.C.
FERC Electric Tariff
Sixth Revised Volume No. 1

Tariff Sheets Accepted Effective June 1, 2007

First Revised Sheet No. 310A
Substitute First Revised Sheet No. 310B
Substitute First Revised Sheet No. 310C
First Revised Sheet No. 310L
Substitute First Revised Sheet No. 310N
First Revised Sheet No. 310O